

BUSINESS REPORT

Year ended March 31, 2021



For Prosperity and
a Beautiful Earth



The Matsuda Sangyo Group's corporate philosophy is to "contribute to society through the effective use of the earth's limited natural resources via businesses"

The Matsuda Sangyo Group operates: (1) the precious metals business—which focuses on working to effectively recycle precious metals, a limited resource; (2) the environmental business—which is geared toward striving to create a clean environment for future generations; and (3) the food business—which concentrates on tapping nature's resources to provide stable supplies of food.

With both the precious metals and food business segments as a growth driver, we will develop a cycle that enables sustainable and mutual development of our business and society.

Precious Metals Business Segment

Our contributions to social issues: SDGs



VISION / "Play a leading role in creating resource recycling in East Asia"

No. of segment employees **1,101**
As of March 31, 2021

Business History

Roots: In 1935, the Company started the recovery and refining of silver from film and other photosensitive materials.



Silver production developed to the gold and PGM* precious metal business, as well as to the environmental business due to the involvement in the treatment of fixing and developing solutions. * Platinum group metals

Overview of the precious metals business

- Engaging in recovery and refining of precious metals, manufacturing and selling of precious metal materials and products, and cleaning of thin-film deposition system parts.
- Our key customers are in the electronics, jewelry, dental, and catalyst industries, etc.

Strengths of the precious metals business

- Cyclical business model contributing to stable supply chains, advanced technology to refine high-purity precious metals and consistent precious metal recycling system
- Network in East Asia for collection of precious metal materials and supply of precious metal materials and products
- Trust in the precious metal bullion brand born from our advanced recycling technology
- Precision cleaning that recycles jigs as well as recovers and recycles precious metals

Overview of the environmental business

- Engaging in collection, transportation, detoxification, and recycling of industrial wastes including waste acids, alkalis, oil, plastic, and polluted mud.
- Our key customers are in the electronics, chemical/pharmaceutical industries, and medical institutions, etc.

Strengths of the environmental business

- Detoxification technology and effective use of industrial wastes contribute to efficient recycling that enables customers to achieve zero emission
- One of the best nationwide network to collect and transport industrial waste.

Value creation flow



Food business segment

Our contributions to social issues: SDGs



VISION / "Be the best partner for customers in product development"

No. of segment employees **263**
As of March 31, 2021

Business History

Roots: In 1948, the Company started to sell egg whites discarded during mayonnaise production at food processing companies to manufacturers of boiled fish paste products.



Expanded into the handling of marine products such as *surimi* fish paste, as well as agricultural and livestock products.

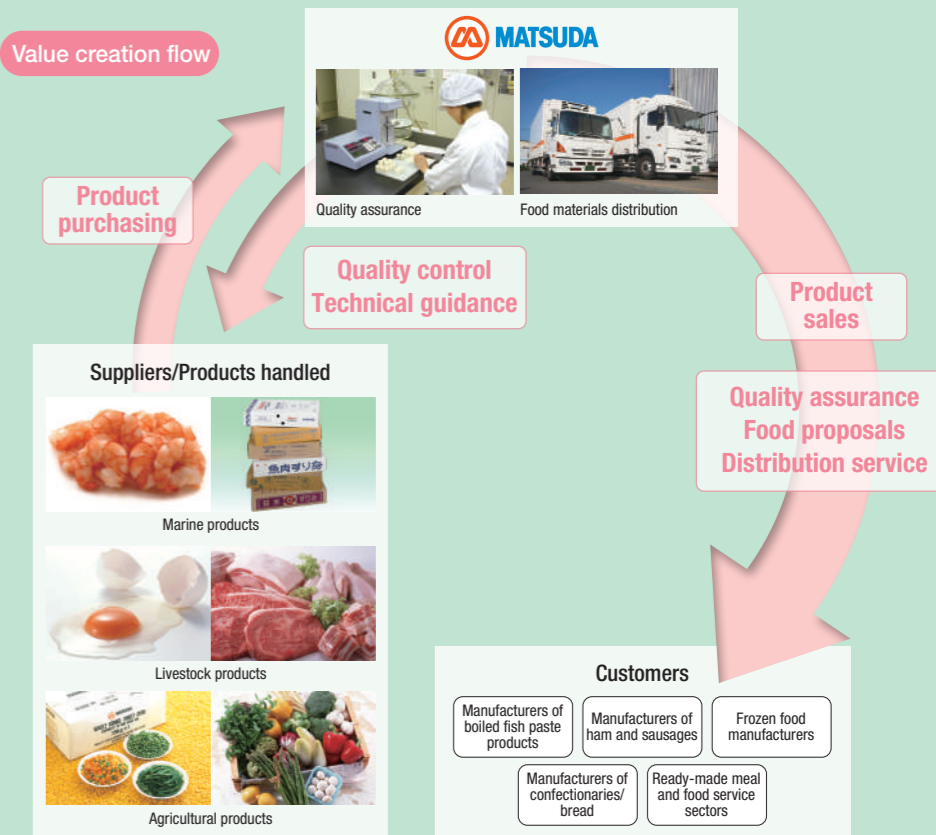
Overview of the food business segment

- The food business procures safe and reliable food materials (including marine, livestock and agricultural products) via an extensive worldwide network that encompasses such regions as Europe, North America, Asia and South America.
- Our key customers include manufacturers of boiled fish paste products, ham and sausages, frozen food, confectionaries and bread, and in the ready-made meal and food service sectors.

Strengths of the food business segment

- Offers a myriad of products including *surimi* fish paste, shrimp, squid, octopus, shellfish, eggs, chicken, pork, beef, and dried and frozen vegetables. Deploys a global procurement network utilizing local subsidiaries.
- Proposes appropriate locations for food processing together with production areas that meet customers' needs, and offers primary processing of food materials into optimum forms and volumes for customers. Provides high-quality, low-cost products manufactured on-site from fresh ingredients using optimal technologies.
- Offers distinctive services for ensuring safety and reliability such as guidance for suppliers in producing regions through the Quality Assurance Department, quality standard documentation and traceability.

Value creation flow





We implement a sustainable growth cycle by contributing to society through our business in order to enhance corporate value.

Yoshiaki Matsuda
President and Representative Director

First, I would like to thank all our shareholders for their support in the past year. I hope we can count on your continued support in the year ahead. Please take the time to read this Business Report for the fiscal year ended March 2021 (April 1, 2020 to March 31, 2021), which provides a more in-depth view of what we do at Matsuda Sangyo.



Please explain results and dividends for the fiscal year ended March 31, 2021.

During the fiscal year ended March 31, 2021, the Japanese economy continued to face challenging conditions, including weak consumer spending and a decline in earnings mainly in the non-manufacturing industries due to COVID-19. Despite signs of economic recovery thanks to the economic package, the outlook remains uncertain due to factors including repeated requests to restrict various activities amid resurgence of COVID-19 and the trade friction between the U.S. and China.

Under these circumstances, the precious metals business segment promoted reinforcement of sales development along with an effective use of domestic and overseas production sites and focused on securing of precious metal materials, sales of chemical products and expansion of industrial waste treatment outsourcing business. As a result, both segment sales and profit increased thanks to a growth in the volume of precious metal recycling and sales volume of gold products in addition to a rise in precious metal prices.

The food business segment fulfilled its responsibility to ensure stable supply amid concerns over disruption of supply chains due to the COVID-19 pandemic while working to develop and offer products meeting customer needs and expand sales. However, the segment sales and profit decreased due to a decline in sales of marine products despite an increase in sales of agricultural and livestock products.

As a result, consolidated net sales for the fiscal year ended March 31, 2021 increased 9.8% year on year to ¥231,559 million, and operating profit increased 28.8% to ¥8,038 million. Ordinary profit increased 31.1% to ¥8,369 million, and profit

attributable to owners of parent increased 50.7% to ¥6,098 million. As revised upward in February this year, we paid a year-end dividend of ¥20 per share. Together with the interim dividend, this resulted in a full-year dividend of ¥38 per share. Full-year dividend per share for the fiscal year ending March 31, 2022 is expected to be ¥42, an increase of ¥4 year on year.



Please tell us about the achievement in the second year of the Medium-term Management Plan and the recent business environment.

For the fiscal year ended March 31, 2021, which was the second year of the Medium-term Management Plan (FY2019–2021), we worked to prevent the spread of COVID-19 by prioritizing the health and safety of our employees and all other stakeholders and also focused on promoting strategies of each business while paying close attention to effects of COVID-19 and the U.S.-China trade friction. As a result, both net sales and profit attributable to owners of parent hit a record high.

Currently, while COVID-19 vaccination rollouts are underway, the spread of new variants makes it hard to predict when the infection will end. In addition, decarbonizing initiatives to address climate change are gaining momentum rapidly in Japan and overseas, causing the business environment to remain uncertain and change drastically. The Group will increase its competitive advantage and expand the business by continuing to provide high added value that meets customer needs in both the precious metals and food business segments and implement a sustainable growth cycle by contributing to society through our business, with an aim to increase corporate value.



Please tell us about future key initiatives and initiatives on decarbonization, SDGs, and ESG.

The precious metals business segment will work to expand sales of high-performance electronic materials and chemical products and the recovery of precious metals recycling materials under its vision to “play a leading role in creating resource recycling in East Asia.” We will also promote differentiation through improvement of our precious metal recovery technology, development of products meeting customer needs, and R&D for automation and labor saving. As part of these initiatives, we have developed high-quality gold vapor deposition materials for LED, power semiconductors, and mobile phones, which contributes to decarbonization. For collection, transportation, detoxification, and recycling of industrial wastes, we will work to expand target markets, make proposals to increase customer values and establish a sales system, with a view to expanding business domains for the future such as lithium-ion battery.

In the food business segment, under its vision to “be the best partner for customers in product

development,” we aim to differentiate ourselves leveraging our know-how of quality assurance we have accumulated over the years to supply safe, reliable, high-quality food materials, and also work to further strengthen functions of development, quality assurance, and production control. For example, the equipment of the precious metals business segment is used for the high-precision material inspection, showing an increase in the synergy of our business segments. We will also focus on enhancing the product lineup and global development while appropriately addressing the foreign exchange fluctuation risk.

Although the business environment remains uncertain, the Group, through the two business segments, will focus on contributing to SDGs and solving the ESG issues and contribute to sustainable development of society.

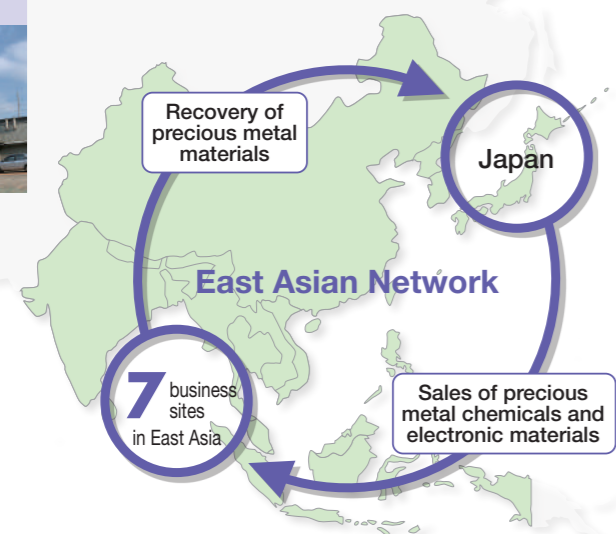
I hope we can count on your continued support as we implement these initiatives in the year ahead.

Precious Metals Business Segment

Performance in the fiscal year ended March 31, 2021

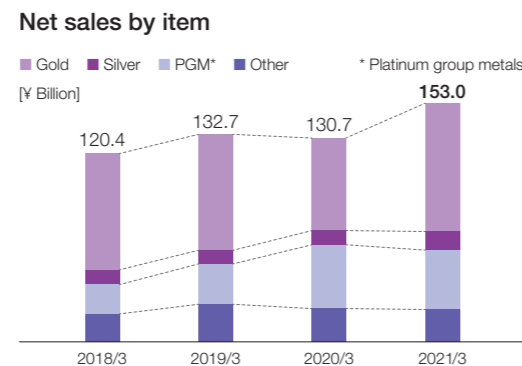
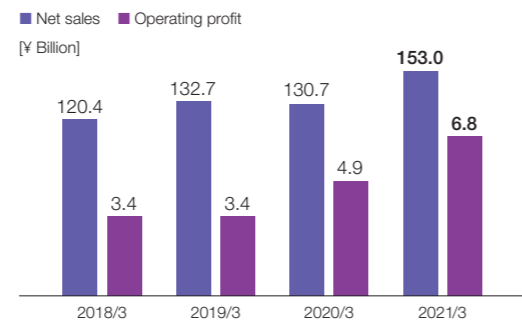
The electronics industry, our key customer, was affected by COVID-19, but production activity picked up in the second half of the fiscal year, spurred by a recovery in the automotive market, strong demand for PCs and servers for remote work, and 5G infrastructure rollout. Under these conditions, both net sales and profit grew due to an increase in precious metals recycling volume coupled with higher sales volumes for gold and other precious metal products and a rise in precious metals prices despite a decline in the volume of industrial waste treatment outsourcing business.

Business sites



Net sales **¥153.0** billion **17.1%** increase year on year

Operating profit **¥6.8** billion **38.5%** increase year on year



Forecasts and initiatives for the fiscal year ending March 31, 2022

We expect that production of electronic parts and devices in the electronics industry, our key customer, will remain strong. Under such conditions, we will promote differentiation of our business meeting customer needs to expand sales of high-performance electronic materials and chemical products and the recovery of precious metals recycling materials with an aim to maintain and expand the business.

While the end of the COVID-19 pandemic is nowhere in sight, what sorts of measures have you been taking in business activities?

With the major premise of “not to be infected” and “not to infect,” we continue to focus on ensuring health and safety of our stakeholders including employees, customers, and business partners and maintaining supply chains. In specific, we have implemented online meetings, remote working and shift work at factories, and we are also using smart glasses to remotely support overseas subsidiaries such as for installation of metal recovery devices and technical guidance.



Image of smart glasses

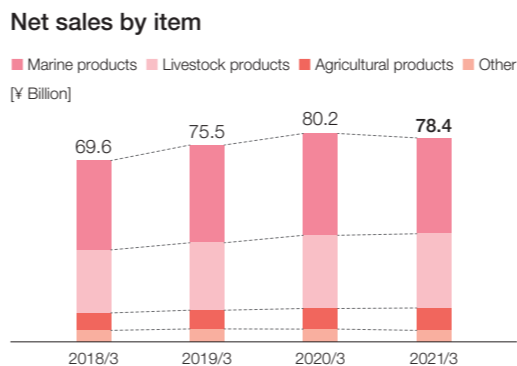
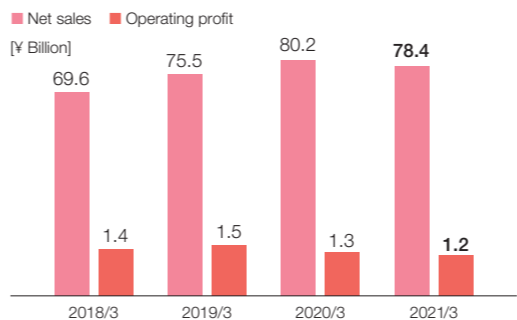
Food business segment

Performance in the fiscal year ended March 31, 2021

The food processing industry, our key customer, faced tough conditions on the whole due mainly to a drop in demand for commercial-use products amid sluggish sales in the food service industry and poor sales of food souvenirs as well as a contraction in inbound demand while consumer spending recovered for a time due to stay-at-home demand amid the COVID-19 pandemic. Under these conditions, sales of agricultural and livestock products increased but sales of marine products dropped, resulting in a decrease in both net sales and operating profit overall.

Net sales **¥78.4** billion **2.2%** decrease year on year

Operating profit **¥1.2** billion **7.9%** decrease year on year



Forecasts and initiatives for the fiscal year ending March 31, 2022

Although the business environment will remain uncertain due to concerns over the impact on supply chains of COVID-19 and the U.S.-China trade friction, we will work to improve earnings by addressing changes in demand patterns caused by COVID-19, accurately meet customer needs, and stand out in the market by developing and providing products as a stable supplier of safe and reliable food products, supported by the use of overseas business sites.

What are functions, features, and targets of New Sendai Sales Office which started operation in November 2020.

Under the concept of further enhancing our “proposal capabilities,” New Sendai Sales Office has a test kitchen with cooking appliances and kitchen equipment where we can cook and experiment to consider materials and menus with our business partners and also has a presentation room where we can discuss business while sampling materials procured from Japan and overseas and various menus.



Test kitchen in New Sendai Sales Office

Sites



Global Network – Suppliers –

United States	surimi fish paste, frozen vegetables, dried potatoes, dried eggs, pork, beef	Indonesia	surimi fish paste, shrimp, frozen vegetables
Canada	pork, beef	India	surimi fish paste, shrimp, dried eggs, dried potatoes
Mexico	pork, beef	Myanmar	shrimp
Brazil	chicken	United Kingdom	pork, beef
Peru	squid	Ireland	pork, beef
Chile	squid, pork	Spain	pork, beef
Australia	beef	Italy	dried eggs
New Zealand	frozen vegetables	Belgium	dried eggs, frozen vegetables
China	surimi fish paste, clams, crab, squid, shrimp, frozen vegetables	Germany	dried eggs
Thailand	surimi fish paste, shrimp, frozen vegetables, chicken	Poland	beef
Vietnam	surimi fish paste, shrimp, octopus, frozen vegetables	Denmark	pork
		the Netherlands	pork

TOPIC 1

IR • SR

Report of Survey Results

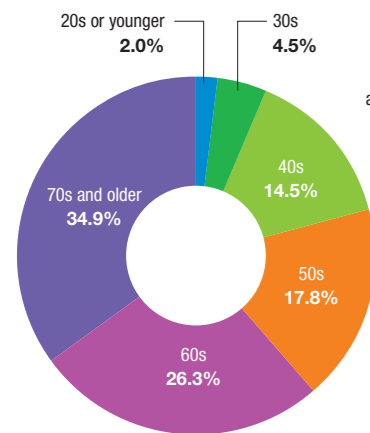
Thank you for participating in our shareholder survey.

We would like to thank the shareholders that participated in our survey that accompanied the notification of the 71st Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2020. We appreciate the time you took to answer the questionnaire, and report some of our findings here.

Survey period: **June 25 to July 31, 2020** Response rate: **49.9%**

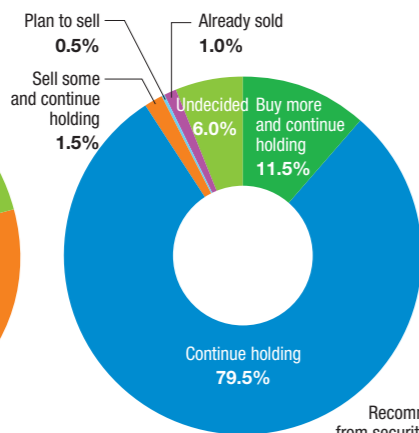
Shareholder percentages by age group

The ratio of shareholders over 70s rose and those under 60s decreased compared with the fiscal year ended March 31, 2020.



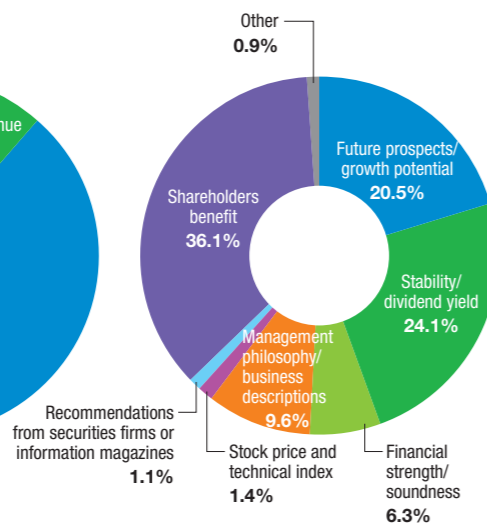
Future plan for holding the Company's shares

The ratio of "Buy more and continue holding" rose by 0.9 points and "Continue holding" increased by 0.5 points.



Reasons of purchasing Matsuda Sangyo's shares

The ratio of "Future prospects/growth potential" rose by 0.3 points and "Stability/dividend yield" increased by 0.2 points. We will continue to put out our best efforts to meet the expectations of shareholders.



TOPIC 2

ESG

Established "Matsuda Sangyo Group Global Code of Conduct"

In July 2020, the Group established "Matsuda Sangyo Group Global Code of Conduct." This is the highest in-house standard for business and other social activities established to implement our corporate ethics to "make effective use of the limited earth resources and contribute to society through businesses."

The Global Code of Conduct specifically includes detailed rules in six areas of "Compliance," "Social contribution," "Business activities," "Preservation of corporate assets and information," "Respect for human rights," and "Environmental preservation," and the Group will promptly take appropriate corrective measures in case of any breach or possible breach of those rules. Using the Code as a guideline, the Group will address changes in the future business environment and aim to develop business activities having social influence in a sustainable and fair manner.



- Compliance
- Social contribution
- Business activities
- Preservation of corporate assets and information
- Respect for human rights
- Environmental preservation

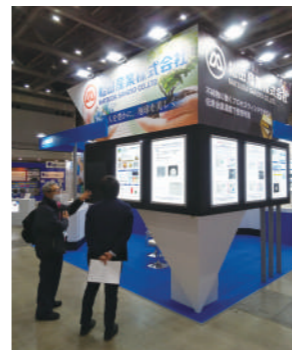
TOPIC 3

9 INHERIT INNOVATION AND RESPECT FOR HUMAN RIGHTS 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Precious Metals Business Segment

Show the ability of high quality electronic materials that contribute to enhancing customers' yield

In January 2021, the precious metals business segment participated in "NEPCON JAPAN 2021 – 35th Electronics R&D, Manufacturing and Packaging Technology Expo" (at Tokyo Big Sight), an exhibition for electronic parts/materials/equipment manufacturers who work on multifunctionality and technical advancement of electronics equipment, and the Company introduced mainly a newly developed gold vapor deposition material "MNS." "MNS" is one of the vapor deposition materials used in semiconductor manufacturing, which contributes to enhancing yield and reducing use of gold by reducing defective units compared to the conventional materials and is highly effective for products requiring high performance and reliability such as those for automotive and communication devices. MNS is drawing attention such that it was covered by Japan Metal Bulletin on April 26, 2021, and we will work to increase its share in Japan and overseas on the back



Matsuda Sangyo Booth



Gold vapor deposition material "MNS"

of increasing electrification of vehicles and increasing demand for large-capacity communication in the future.

TOPIC 4

3 GOOD HEALTH AND WELL-BEING 14 LIFE BELOW WATER



Food Business Segment

Develop human resources and generate synergies across the businesses through global quality assurance

The food business segment has worked on functional enhancement from early on to provide customers with safe and reliable food materials. The Quality Assurance Department established in 1988 demonstrates strengths in such areas as "guidance to suppliers," "human resource development," and "inspection functions." For "guidance to suppliers" and "human resource development," our employees visit several hundreds of suppliers in Japan and overseas to improve



Giving guidance to a supplier

product quality through collaboration and communication at their manufacturing factories as well as to provide technical guidance on inspection and manufacturing. In addition to training to sales staff including new employees, we have enhanced online activities since the COVID-19 pandemic started.



Various inspection equipment

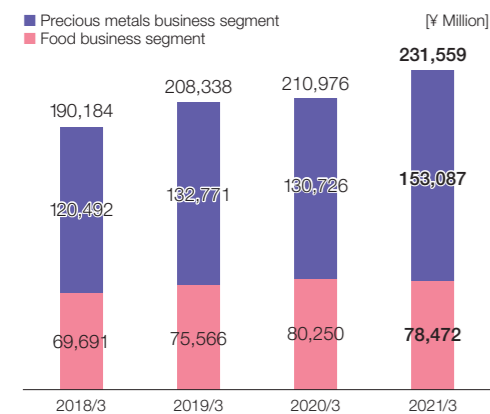
As for "inspection functions," we capitalize on our unique management resources as a company engaging in precious metals and food businesses. In case of foreign material contamination, for example, we use equipment held by the precious metals business segment to conduct a high-precision inspection for the factor analysis, which is recognized as our unique feature demonstrating the synergy between our two businesses.



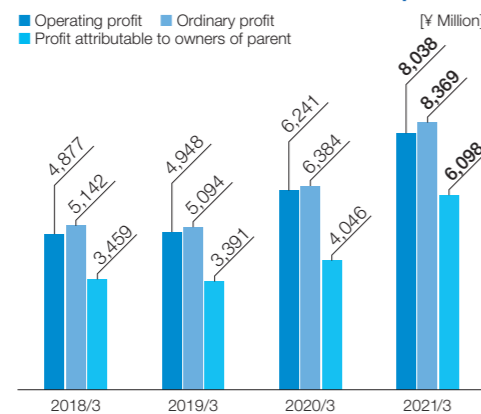
Scanning electron microscope

Realize quick and high-precision inspections using analytical equipment held by the precious metals business segment

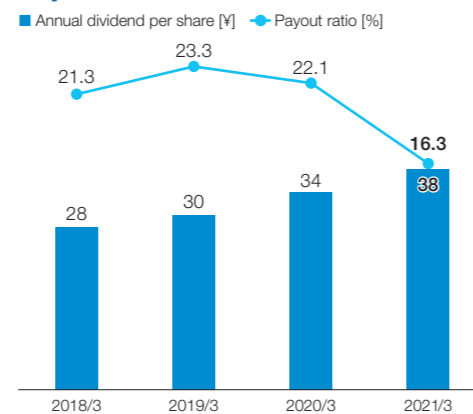
Net sales



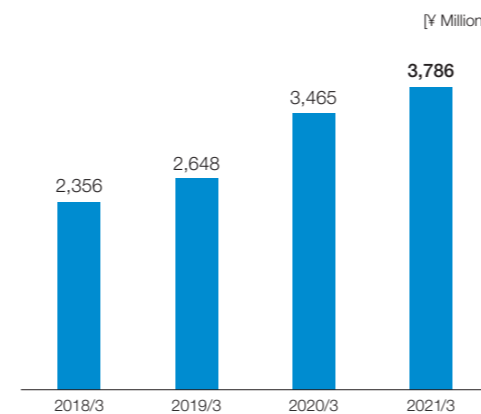
Operating profit/Ordinary profit/
Profit attributable to owners of parent



Annual dividend per share/
Payout ratio

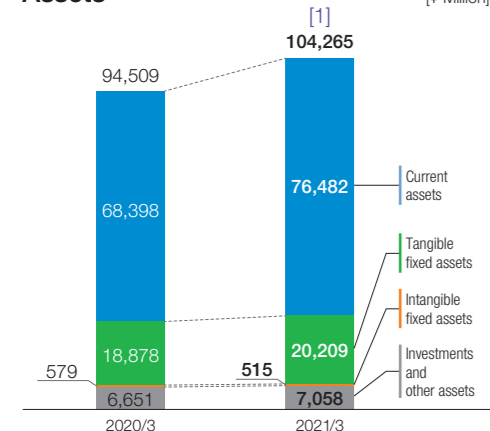


Capital expenditure

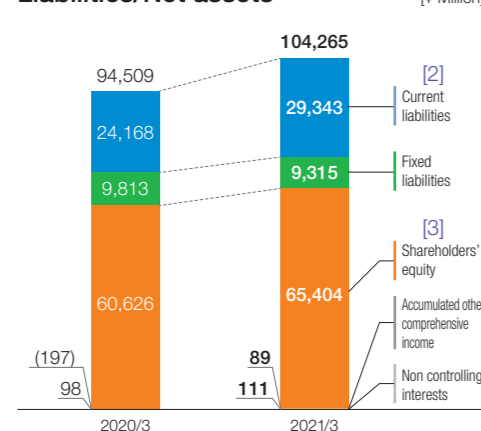


Consolidated balance sheet

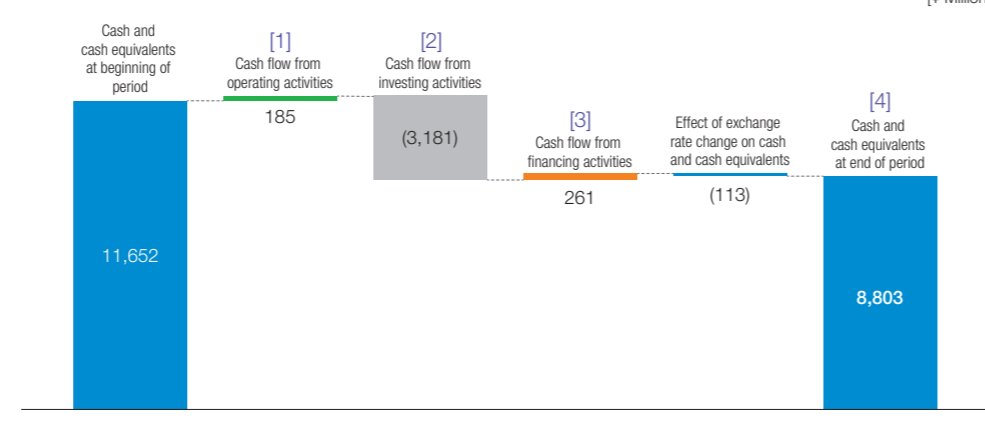
Assets



Liabilities/Net assets



Statements of cash flow



- [1] Total assets increased ¥9,756 million from March 31, 2020. This was mainly due to increases in notes and accounts receivable – trade and inventories as well as installation and upgrade of equipment at the Group's factories despite a decrease in cash and deposits.
- [2] Total liabilities increased ¥4,677 million from March 31, 2020. This was mainly due to increases in accounts payable – trade, short-term loans payable, and income taxes payable.
- [3] Net assets increased ¥5,078 million from March 31, 2020. This was mainly due to profit attributable to owners of parent in excess of dividends payment and purchase of treasury stock.

- [1] Operating activities provided net cash of ¥185 million. This mainly reflected profit before income taxes, depreciation, and an increase in notes and accounts payable – trade, partly offset by increases in notes and accounts receivable – trade, inventories, and income taxes paid.
- [2] Investing activities used net cash of ¥3,181 million. This mainly reflected purchase of property, plant and equipment related to the installation and upgrade of equipment at the Group's factories, partly offset by proceeds from sales of property, plant and equipment.
- [3] Financing activities provided net cash of ¥261 million. This mainly reflected an increase in loans payable, partly offset by purchase of treasury stock and cash dividends paid.
- [4] As a result of the above, the balance of cash and cash equivalents as of March 31, 2021 stood at ¥8,803 million, a decrease of ¥2,848 million year on year.

Company Overview (As of March 31, 2021)

Corporate name	MATSUDA SANGYO Co., Ltd.
Head office	26-2, 1-chome, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Foundation	June 18, 1951
Common stock	¥3,559 million
Number of employees	1,468
Main businesses	Recovery and refining of precious metals, sale of precious metal bullion and electronic materials, wholesale of raw materials for food processing, collection, transportation, and processing of industrial waste
Accounting auditor	Ernst & Young ShinNihon LLC

Offices and Factories (As of April 1, 2021)

Metals/Environment Sales Division	Sendai / Mito / Saitama / Tokyo / Kanagawa / Nagano / Nagoya / Nagoya 2 / Kanazawa / Osaka / Fukuyama / Fukuoka / Kagoshima
Foods Division	Sapporo / Sendai / Kitakanto / Tokyo / Nagoya / Osaka / Matsuyama / Fukuoka / Quality Assurance Department / Taiwan
Production division	Research and development center / Musashi factory / Musashi No. 3 factory / Iruma factory / Iruma No. 2 factory / Seki factory / Seki No. 2 factory

Affiliates (As of March 31, 2021)

MATSUDA RYUTSU Co., Ltd.	Truck transportation
MATSUDA ECOLOGY Co., Ltd.	Sales of precious metal products
JAPAN MEDICAL TECHNOLOGY Co., Ltd.	Recovery and sales of metal raw materials
HOKKAIDO AOKI KAGAKU Co., Ltd.	Collection, transportation and processing of industrial waste, recovery and sales of metal raw materials
Z.E.R.O. JAPAN Co., Ltd.	Various waste processing and equipment sales
Gulf Foods Co., Ltd.	Import and wholesale of marine products
NIPPON MICROMETAL CORPORATION	Production and sales of metal products for the electronics industry

Board of Directors (As of June 24, 2021)

President and Representative Director	Yoshiaki Matsuda
Vice-president and Director	Koji Tsushima
Directors	Yuji Katayama Ryuichi Yamazaki Junichi Tsuzuki Kenji Isawa Takehiro Ueda
Audit and Supervisory Committee members	Shinichi Hatakeyama Toshihiko Uchiyama Toshiyuki Kojima Kaoru Yokomise

* Audit and Supervisory Committee members are all outside directors.

Subsidiaries (As of March 31, 2021)

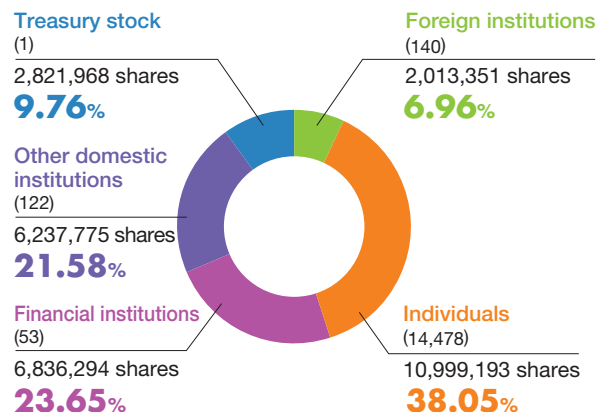
Precious metals business segment	Matsuda Sangyo (Thailand) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Philippines) Corporation	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Singapore) Pte. Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Resource Recycling (Suzhou) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Malaysia) Sdn. Bhd.	Recovery and sales of metal raw materials, sales of precious metal products
	Matsuda Sangyo (Vietnam) Co., Ltd.	Recovery and sales of metal raw materials, sales of precious metal products
Food business segment	Matsuda Sangyo Trading (Qingdao) Co., Ltd.	Sales of raw materials for food processing, intermediary services
	Matsuda Sangyo Trading (Thailand) Co., Ltd.	Sales of raw materials for food processing, intermediary services
	Matsuda Sangyo Trading (Vietnam) Co., Ltd.	Sales of raw materials for food processing, intermediary services

Investor Information

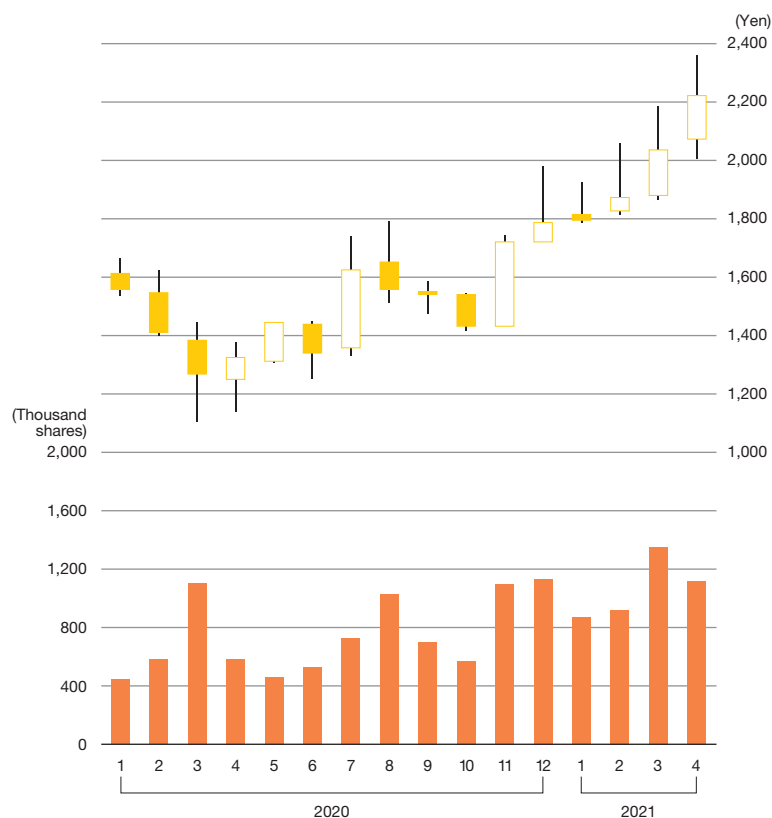
Stock Data (As of March 31, 2021)

Total number of shares authorized to be issued	40,000,000
Total number of shares issued and outstanding	28,908,581
Number of shareholders	14,794

Distribution of Shares (As of March 31, 2021)



Stock Price and Trading Volume



Investor Information

Business year	April 1 to the following March 31
Register closing date for term-end dividend payments	March 31
Register closing date for interim dividend payments	September 30
General meeting of shareholders	June every year
Shareholder register administrator and Transfer account management institution for special account	Mitsubishi UFJ Trust and Banking Corporation
Contact	Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu-shi, Tokyo Toll free: 0120-232-711 (only in Japan) Mailing address: P.O. Box 29, Shin-tokyo, Tokyo 137-8081 Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Quoted securities exchange	Tokyo Stock Exchange
URL for public notices	https://ir.matsuda-sangyo.co.jp/ja/Top.html (Note that public notices will appear in The Nikkei if there is any trouble in posting public notices by electronic means or for any other unavoidable reason.)

Website Information

Matsuda Sangyo

Search

Homepage

Please visit the Matsuda Sangyo website, which has been upgraded to improve under standability.



FORWARD-LOOKING STATEMENTS

This business report contains forward-looking statements concerning the future plans, strategies, beliefs and performance of Matsuda Sangyo Co., Ltd. and its group companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected.



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